UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

U.S.-African Trade Profile

U.S. Trade with Sub-Saharan Africa
($ Millions)

	2002	2003	2004	2005
U.S. Exports	***6,026.1***	***6,870.9***	***8,438.5***	***10,314.7***
U.S. Imports	***17,891.4***	***25,633.3***	***35,879.5***	***50,289.7***

Source: U.S. Dept. of Commerce, Bureau of Census

U.S. total trade with Sub-Saharan Africa (exports plus imports) continued to grow in 2005, as both exports and imports increased. Two-way trade was $60.6 billion, up 36.7 percent from a year earlier. U.S. exports to Sub-Saharan Africa rose 22.2 percent to $10.3 billion, due to increased sales of oil field equipment and parts, aircraft, vehicles, wheat, and electrical machinery (including telecommunications equipment) – the same set of products which drove U.S. exports in 2004. U.S. imports rose 40.2 percent from 2004 to $50.3 billion, due to a large increase in imports of crude oil (mainly driven by rising demand and high oil prices) as well as smaller increases in imports of platinum, diamonds, and cocoa. Trade between the United States and Sub-Saharan Africa is highly concentrated, with a small number of African countries accounting for an overwhelming share of the total for both imports and exports.

- U.S. exports to South Africa grew by 22.1 percent, to Nigeria by 3.9 percent, to Angola by 56.2 percent, to Kenya by 60.5 percent, and to Ethiopia by 45.1 percent. The large increases in Kenya and Ethiopia resulted from aircraft sales to both countries.

- U.S. imports continued to increase from all of the oil producing countries with imports from Nigeria growing by 48.9 percent, from Angola by 87.7 percent, from Gabon by 14.1 percent, from the Republic of Congo by 89.5 percent, from Equatorial Guinea by 33.5 percent, and from Chad by 97.6 percent. Imports from South Africa declined a little more than one percent, caused by declines in the imports of manganese and vehicles.

Prepared by: J. Diemond
Market Access & Compliance/Office of Africa
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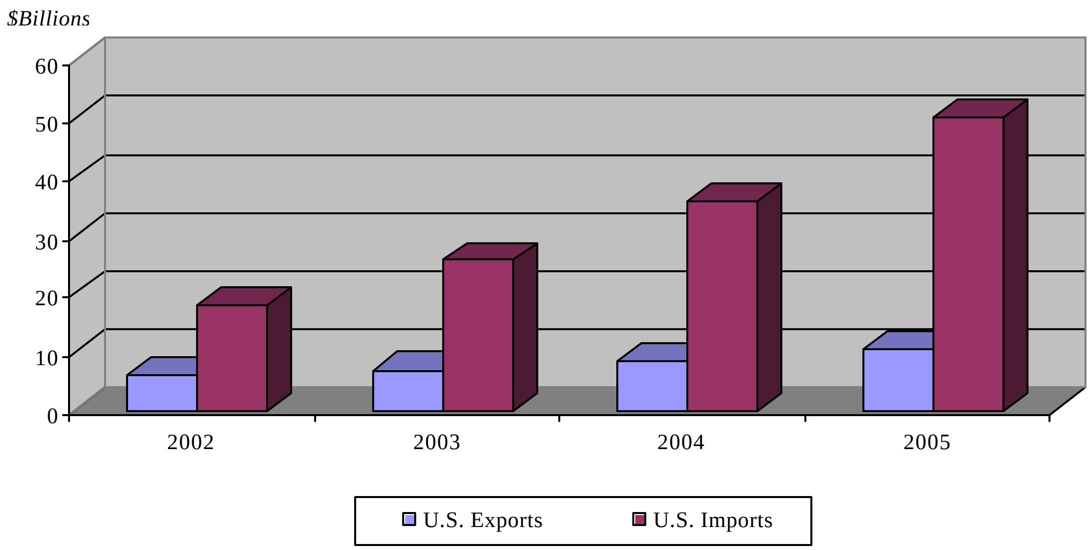
- In 2005, African Growth and Opportunity Act (AGOA) imports increased 43.6 percent to $38.1 billion.[1] This figure includes duty-free imports from AGOA-eligible countries under both the pre-existing U.S. Generalized System of Preferences (GSP) and the expanded AGOA GSP, plus textile and apparel imported duty-free and quota-free under AGOA provisions.

U.S. Trade with Sub-Saharan Africa



Source: U.S. Dept. of Commerce, Bureau of Census

- Petroleum products continued to account for the overwhelming portion of total AGOA imports with a 92.3 percent share. With these fuel products excluded, AGOA imports were $2.9 billion, declining by 16.2 percent. AGOA transportation equipment imports declined by 49.3 percent to $273.6 million, AGOA minerals and metals imports declined by 32.2 percent to $493.9 million, and AGOA textile and apparel imports declined by 12.1 percent to $1.4 billion. These declines were mainly due to increased global competition in the apparel sector, the appreciation of key currencies such as the South African rand, decreased demand for key metals and minerals such as manganese, and production shifts in the South African automotive sector. Several non-oil sectors, however, experienced increases, including AGOA chemical and related product imports increasing by 48.4 percent to $329.3 million, and AGOA agricultural imports increasing by 2.6 percent to $272.1 million.

[1] Note that AGOA imports are imports for consumption, while all other import figures are general imports. Imports for consumption include only those goods as they enter the U.S. economy for consumption. General imports include all goods as they cross the U.S. border, including those destined for bonded warehouses or foreign trade zones.

- The top five AGOA beneficiary countries remained Nigeria, Angola, Gabon, South Africa, and Chad. Excluding oil imports, the top five AGOA beneficiary countries included South Africa, Lesotho, Kenya, Madagascar, and Swaziland.

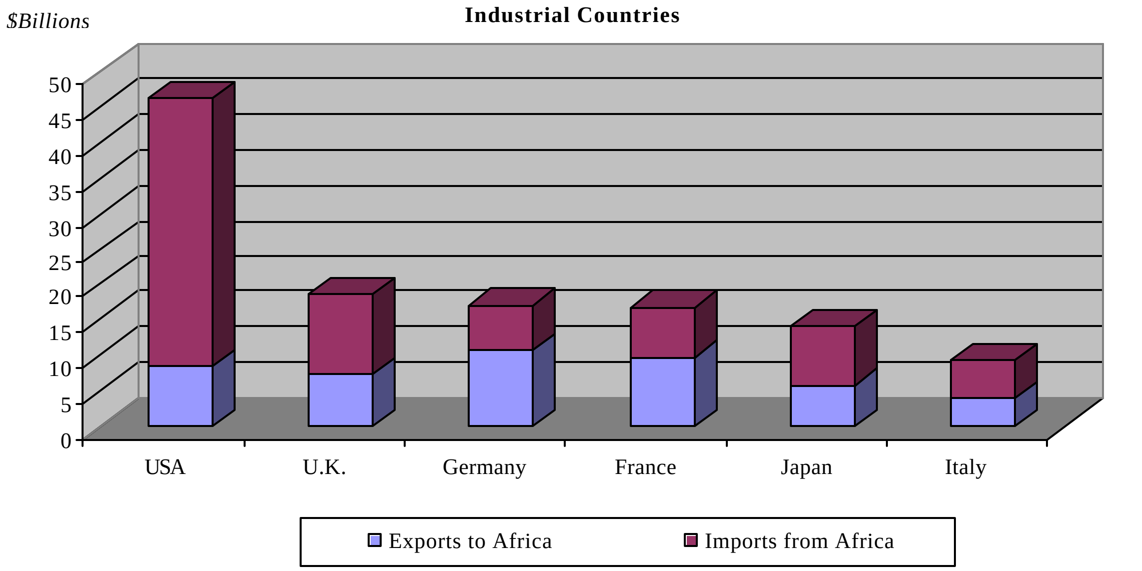
- The U.S. merchandise trade deficit with Sub-Saharan Africa continued to widen in 2005 to $40.0 billion, from $27.4 billion in 2004. Nigeria, Angola, Gabon, and South Africa accounted for 87.1 percent of the U.S. trade deficit with Sub-Saharan Africa in 2005.

Africa's Global Trade[2]

Sub-Saharan Africa's total merchandise imports continued to increase in 2004 (the latest year available), growing 32.6 percent to $146.0 billion, compared to slightly lower growth of 28.2 percent in 2003. South Africa and Nigeria accounted for almost half of Sub-Saharan Africa's total imports with a 46.2 percent share. In 2004, South Africa's imports increased by 38.9 percent to $47.2 billion, and Nigeria's imports increased by 35.8 percent to $20.3 billion. Based on a review of some of the major suppliers to Sub-Saharan Africa, no single sector appears to account for the majority of the growth in Sub-Saharan African imports. Instead, the imports appear to be spread over a range of sectors, including a variety of electrical and other machinery, refined oil, telecommunications equipment, vehicles, aircraft, and wheat.[3]

Sub-Saharan Africa's total merchandise exports were $138.7 billion in 2004, a 26.2 percent increase, compared to a 20.3 percent increase in 2003. In 2004, South Africa and Nigeria accounted for 56.5 percent of Sub-Saharan Africa's total exports. South Africa's exports grew by 25.3 percent to $45.6 billion and Nigeria's exports grew by 36.1 percent to $32.8 billion.

Africa's Principal Trading Partners, 2004
Industrial Countries



Source: Derived from IMF *Direction of Trade Statistics Yearbook, 2005*

Sub-Saharan Africa's 26.2 percent increase in exports kept pace with total world exports, which grew at 21.4 percent, and developing country exports, which grew at 27.5 percent.

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[2] Unless otherwise noted, the data in this section is derived from the *Direction of Trade Statistics Yearbook* (Washington, DC: International Monetary Fund, September 2005).
[3] Based on a review of European Union, United States, China, Japan, and South Africa trade data in the World Trade Atlas.

Sub-Saharan Africa, however, accounted for only 1.5 percent of world trade in 2004, virtually unchanged from 2003.

Shares of Africa's Import and Export Markets[4]

Sub-Saharan Africa accounts for slightly more than one percent of U.S. merchandise exports, and slightly more than two percent of U.S. merchandise imports, of which about 70 percent are petroleum products. Proportions are similar for Sub-Saharan African trade with the European Union. The United States is Africa's largest single country market, purchasing 27.3 percent of the region's exports in 2004. The United Kingdom came in a distant second at 8.2 percent, and Japan was third at 6.0 percent. The EU purchased 36.4 percent of Sub-Saharan Africa's exports, down from 40.5 percent in 2003.

Sub-Saharan Africa's Principal Industrial Country Trading Partners
($ Billions and Market Share)

	2003	% Share	2004	% Share
Sub-Saharan Africa's Imports				
Germany	8.7	7.9%	10.7	7.3%
France	9.5	8.6%	9.8	6.7%
United States	6.8	6.2%	8.5	5.8%
United Kingdom	6.4	5.8%	7.4	5.0%
Japan	4.0	3.7%	5.7	3.9%
Italy	3.5	3.2%	4.0	2.8%
Total EU	41.4	37.6%	47.8	32.7%
Sub-Saharan Africa's Exports				
United States	27.0	24.6%	37.8	27.3%
United Kingdom	9.1	8.3%	11.3	8.2%
Japan	6.1	5.6%	8.3	6.0%
France	6.8	6.1%	7.0	5.0%
Germany	6.0	5.5%	6.3	4.5%
Italy	4.4	4.0%	5.4	3.9%
Total EU	44.5	40.5%	50.5	36.4%

Source: Derived from IMF Direction of Trade Statistics Yearbook , 2005

- The U.S. market share in Sub-Saharan Africa decreased slightly in 2004 to 5.8 percent, from 6.2 percent in 2003.

[4] The data in this section is derived from the *Direction of Trade Statistics Yearbook* (Washington, DC: International Monetary Fund, September 2005).

- The market share of all major industrial countries, except Japan, declined from 2003 to 2004.

- The market share of the EU as a whole also decreased to 32.7 percent.

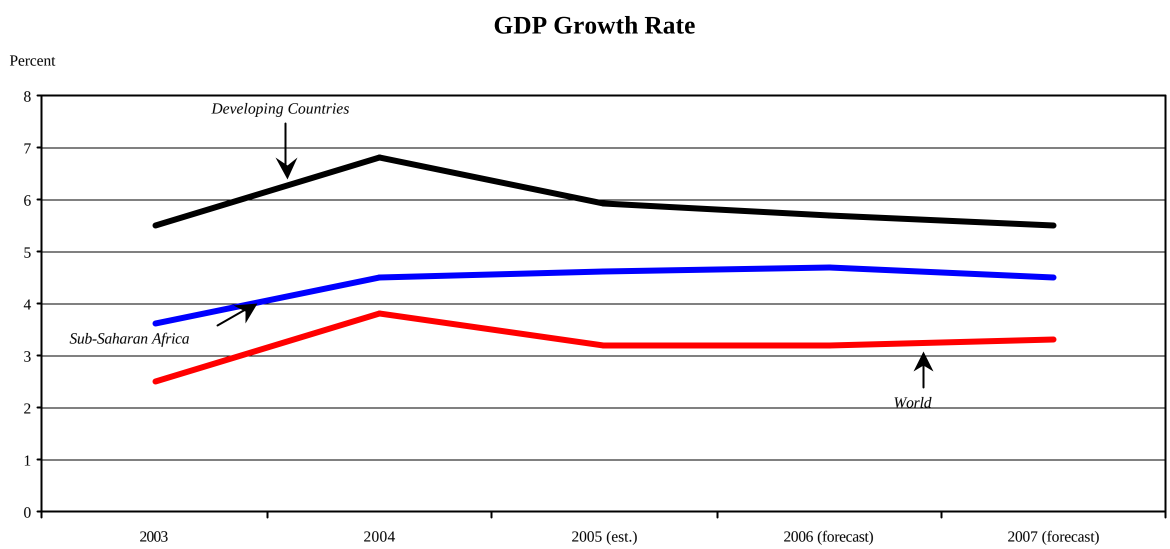
- Non-traditional trading partners maintained their share of the African market. South Africa continued to export more than Italy and almost as much as Japan to Sub-Saharan Africa, with exports to the region of $5.7 billion in 2004.

- China also continued to be a major supplier to Sub-Saharan Africa, with exports of $9.9 billion in 2004, growing 32.4 percent from 2003. China maintained its share of the African market at 6.8 percent. China’s exports to Sub-Saharan Africa were larger than most industrial countries, except Germany. Increased shipments of electrical and other machinery, motorcycles, woven fabrics, and low-end footwear comprised the largest share of China’s growth in shipments to Sub-Saharan Africa.

<u>Africa's Economic Growth</u>

According to the World Bank, the world economy slowed in 2005 with an estimated 3.2 percent growth, compared to 3.8 percent growth in 2004. High oil prices, capacity constraints in resource sectors, and tightening monetary policy in the United States contributed to the world economic slowdown.[5] While economic growth in developing countries as a whole slowed in 2005, it remained strong falling from 6.8 percent in 2004 to 5.9 percent in 2005. High GDP growth in China (in excess of nine percent) and in India (of about seven percent) eased some of the overall slow down among developing countries.[6]

In 2005, Sub-Saharan African economies grew by an estimated 4.6 percent, which was lower than average developing country growth, but above average world growth. According to the World Bank, Sub-Saharan Africa has experienced growth in excess of three percent for six consecutive years.[7]



Source: <u>Global Economic Prospects 2006</u>, World Bank

Country performance within Sub-Saharan Africa was mixed. Growth in oil exporting countries remained strong, but fell from 6.1 percent in 2004 to 5.5 percent in 2005 due to capacity constraints in the oil sector and production disruption in Nigeria. Due to the large relative size of the South African economy, strong growth in South Africa (of over four percent) drove growth among oil importers, which accelerated from four percent in

[5] *Global Economic Prospects 2006: Economic Implications of Remittances and Migration*, 3 (Washington, DC: World Bank, November 2005).
[6] *Global Economic Prospects 2006: Economic Implications of Remittances and Migration*, 5.
[7] *Global Economic Prospects 2006: Overview and Global Outlook*, 41 (Washington, DC: World Bank, November 2005).

2004 to 4.3 percent in 2005. High metal prices, high business and consumer confidence, relatively low interest rates, and recent depreciation of the South African rand against the U.S. dollar, helped spur South Africa's growth. Excluding South Africa, growth among oil importers decelerated slightly from 4.6 percent in 2004 to 4.3 percent in 2005.[8] According to World Bank and International Monetary Fund (IMF) assessments, rising commodity prices helped reduce the negative impact on economic growth among oil importing countries of rising oil prices, noting in particular some of the smaller countries in West Africa.[9] The IMF also notes that the higher oil prices, combined with poor harvests in some countries, have caused an increase in inflationary pressures in the region.[10]

Both the World Bank and IMF emphasize that the removal of textile and apparel quotas by World Trade Organization (WTO) members at the beginning of 2005 caused an increase in competition from Chinese imports, helping to slow economic growth in several countries including Kenya, Lesotho, Madagascar, Mauritius, and Swaziland.[11]

The World Bank's outlook for the short-term is positive, with projected economic growth in Sub-Saharan Africa of 4.7 percent in 2006 and moderating slightly to 4.5 percent in 2007. Over the longer term, continued economic growth will depend on several factors including weather, commodity prices, macro- and micro-economic management, infrastructure investment, and political and social instability.[12]

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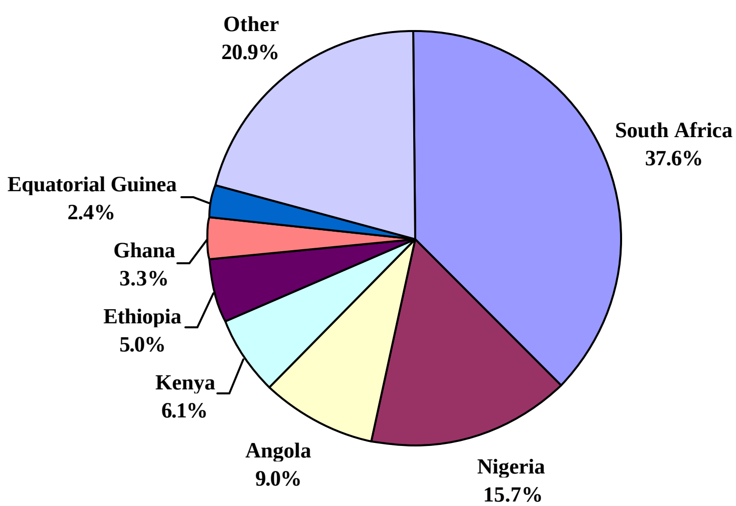
[8] *Global Economic Prospects 2006: Overview and Global Outlook*, 41-42.
[9] *Global Economic Prospects 2006: Overview and Global Outlook*, 42; and *Regional Economic Outlook: Sub-Saharan Africa, Supplement*, 11 (Washington, DC: International Monetary Fund, October 2005).
[10] *Regional Economic Outlook: Sub-Saharan Africa, Supplement*, 6.
[11] *Global Economic Prospects 2006: Overview and Global Outlook*, 42; and *Regional Economic Outlook: Sub-Saharan Africa, Supplement*, 15.
[12] *Global Economic Prospects 2006: Overview and Global Outlook*, 43-44.

Leading U.S. Export Markets in Sub-Saharan Africa

U.S. exports to Sub-Saharan Africa remained highly concentrated among a small number of countries. The top three markets – South Africa, Nigeria, and Angola – accounted for 62.3 percent of U.S. sales in 2005, with South Africa claiming 37.6 percent, Nigeria 15.7 percent, and Angola 9.0 percent. Nigeria's share of U.S. exports declined, while Angola's increased, driven by a decline in U.S. exports of oil field machinery and parts to Nigeria but an increase in the same products to Angola. An increase in aircraft sales to Kenya and Ethiopia helped increase both countries' shares of U.S. exports.

U.S. Exports to Major Sub-Saharan Africa Trading Partners, 2005



Source: U.S. Dept. of Commerce, Bureau of Census

Leading U.S. Exports to Sub-Saharan Africa

U.S. exports to Sub-Saharan Africa in 2005 remained concentrated in aircraft, infrastructure related machinery, agricultural commodities, and motor vehicles. The top three U.S. exports in 2005 were aircraft and parts accounting for 12.9 percent of exports, oil and gas field machinery and equipment 11.7 percent, and oil seeds and grains 8.8 percent. Other leading export categories included: motor vehicles; construction and general purpose machinery; industrial chemicals; communications equipment; grain and oilseed milling products; navigational, measuring, electromedical and control instruments; and computer and peripheral equipment.

Leading U.S. Exports to Sub-Saharan Africa

Item	*2005 Export Value ($ Millions)*
Aircraft and Parts	*1,328.2*
Oil and Gas Field Machinery & Equipment	*1,204.0*
Oilseeds and Grains	*909.9*
Motor Vehicles	*907.8*
Construction Machinery	*391.4*
Industrial Chemicals	*310.1*
Communications Equipment	*279.0*
Grain & Oilseed Milling Products	*257.8*
Navigational, Measuring, Electromedical & Control Instruments	*255.8*
Other General Purpose Machinery [1]	*254.2*
Computer & Peripheral Equipment	*223.4*

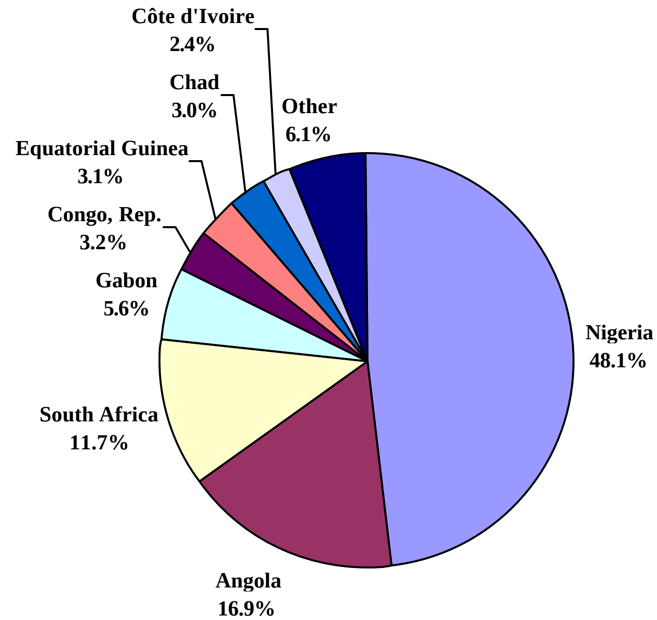
[1] *Includes pumps and pumping equipment, air and gas compressors, and material handling equipment.*

Source: U.S. International Trade Commission DataWeb

Leading Sub-Saharan African Suppliers to the United States

U.S. imports from Africa remained highly concentrated among a small number of suppliers, even more so than U.S. exports. Four countries – Nigeria, Angola, South Africa, and Gabon – accounted for 82.3 percent of U.S. purchases in 2005. The share of imports from both Nigeria and Angola increased, while South Africa's share decreased driven by increases in imports of oil from Nigeria and Angola and decreases in imports of vehicles and manganese from South Africa. The shares of imports from the other oil producing countries remained relatively constant, as did the share of imports from Côte d'Ivoire.

U.S. Imports from Major Sub-Saharan Africa Trading Partners, 2005



Source: U.S. Dept. of Commerce, Bureau of Census

Leading U.S. Imports from Sub-Saharan Africa

Oil imports (crude and non-crude) continued to dominate imports from Sub-Saharan Africa with $40.1 billion in oil imports in 2005, accounting for 79.8 percent of all U.S. purchases. With declines in woven and knit apparel imports, platinum moved from the third to the second leading U.S. import, accounting for 3.7 percent of purchases. Woven and knit apparel contributed 2.9 percent, diamonds 2.3 percent, cocoa 1.4 percent, and ferroalloys 0.68 percent.

Leading U.S. Imports from Sub-Saharan Africa

Item	*2005 Import Value ($ Millions)*
Oil (Crude and non-Crude)	*40,104.2*
Platinum	*1,835.4*
Woven and Knit Apparel	*1,464.4*
Diamonds	*1,160.0*
Cocoa	*705.7*
Ferroalloys	*343.1*

Source: U.S. Dept. of Commerce, Bureau of Census

U.S. Direct Investment in Africa

While the volume of foreign direct investment (FDI) into Sub-Saharan Africa continues to trail other regions, FDI flows in 2004 remained stable at the relatively high level reached in 2003. According to the United Nations *World Investment Report of 2005*, inflows of FDI to Sub-Saharan Africa from all sources in 2004 were $14.3 billion, which represented a 1.7 percent increase from 2003 inflows of $14.1 billion. According to the *World Investment Report of 2005*, the majority of inflows occurred in the natural resources sector, sparked by the rise in commodity prices, especially oil.[13] The report also attributes the stability of FDI flows to the continuation of FDI-friendly policy changes at the national and regional levels in several African countries. These policy changes focused on the liberalization of legal frameworks and improvements in the investment climate with the simplification of some FDI regulations and increased transparency in some FDI regimes.[14] A continued increase in the number of bilateral investment treaties and double taxation treaties in African countries provided further incentives for FDI.[15] The distribution of FDI inflows among countries remained relatively unchanged from 2003 to 2004.[16]

FDI inflows to the least developed countries (LDCs) of Africa decreased slightly by 1.3 percent in 2004, contrasting with a small growth of 3.4 percent in FDI inflows to LDCs worldwide. FDI inflows to Sub-Saharan Africa represented 2.2 percent of worldwide FDI inflows in 2004 and 6.1 percent of inflows to developing countries.

The largest recipients of global FDI inflows included Nigeria with $2.1 billion, Angola with $2.0 billion, Equatorial Guinea with $1.7 billion, Sudan with $1.5 billion, the Democratic Republic of Congo with $900 million, the Republic of Congo with $668 million, and South Africa with $585 million. The FDI inflows to these countries remained concentrated in the petroleum sector, except for South Africa where the inflows were more diversified. South African inflows in 2005 will likely show a large increase caused by the acquisition by Barclays of the United Kingdom of majority stake in ABSA, one of South Africa's main banks.[17]

The *World Investment Report of 2005* explained that a failure to implement economic policies supporting FDI and a lack of capacity to take advantage of FDI has caused historically low levels of FDI in manufacturing in many African countries. The Report stated that preference programs, such as AGOA, would have an increased positive impact on FDI if coupled with improved "development-oriented economic and social policies."[18] The Report expressed cautious optimism for the prospects for future FDI inflows to

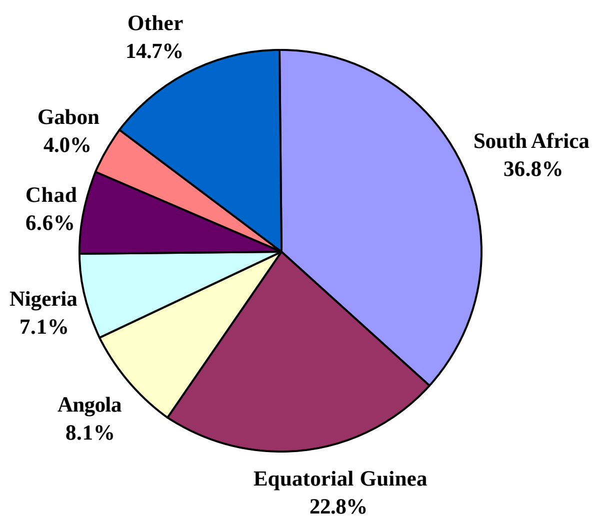
[13] *World Investment Report 2005: Transnational Corporations and the Internationalization of R&D* (New York and Geneva, Switzerland: UNCTAD 2005), p. 40.
[14] *World Investment Report 2005*, p. 43.
[15] *World Investment Report 2005*, p. 45.
[16] *World Investment Report 2005*, p. 42.
[17] *World Investment Report 2005*, p. 49.
[18] *World Investment Report 2005*, pp. 46-47.

Africa and emphasized opportunities in service industries, including telecommunications, electricity, and transport.[19]

At year-end 2004, the U.S. direct investment position[20] in Sub-Saharan Africa was $13.5 billion, 23.4 percent above the position at year-end 2003. Large increases in the investment position in Equatorial Guinea and South Africa and smaller increases in Gabon and Angola more than offset the decrease in investment position in Nigeria. (The direct investment position is a measure of the *stock* of FDI, as opposed to *flows.*)

- South Africa ($5.0 billion), Equatorial Guinea ($3.1 billion), Angola ($1.1 billion), Nigeria ($955 million), Chad ($894 million), and Gabon ($537 million) combined to account for 85.3 percent of the U.S. direct investment position in Sub-Saharan Africa.

U.S. Direct Investment Position, 2004



Source: U.S. Dept. of Commerce, Bureau of Economic Analysis-
Survey of Current Business, September 2005

- Sub-Saharan Africa accounts for less than one percent of the U.S. direct investment position worldwide.

[19] *World Investment Report 2005*, pp. 48-49.
[20] The U.S. direct investment position is the net book value (i.e. the historical value) of U.S. direct investors' equity in, and net outstanding loans to, their foreign affiliates. A foreign affiliate is a foreign business enterprise in which a single U.S. investor owns at least 10 percent of the voting securities, or the equivalent. The source for the U.S. direct investment position abroad is the *Survey of Current Business*, September 2005 – U.S. Department of Commerce, Bureau of Economic Analysis.

According to the July 2005 *Survey of Current Business* (U.S. Department of Commerce, Bureau of Economic Analysis), U.S. affiliated companies in Africa in 2003 reported estimated total assets of $67.8 billion, including $12.3 billion in Nigeria and $9.2 billion in South Africa. U.S. affiliates in Africa attained worldwide sales of $36.2 billion, and net income of $4.4 billion.

U.S. direct investment in Africa supports U.S. trade with the region and fuels American industry. In 2003, $784 million of U.S. merchandise exports were shipped to U.S. affiliates in Africa. The United States imported $2.1 billion of goods from U.S. affiliates in Africa.[21]

[21] Figures for foreign affiliates include data for Libya, Tunisia and Morocco. The *Survey of Current Business* lists Egypt, Nigeria and South Africa separately, but totals the rest of Africa (including North Africa) together.